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    Attorneys for Defendant, GERALD ARMSTRONG
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              SUPERIOR COURT OF THE STATE OF CALIFORNIA
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                    FOR THE COUNTY OF LOS ANGELES
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                                      CASE NUMBER: C 42 01 53
    CHURCH OF SCIENTOLOGY OF
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    CALIFORNIA,
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                                      NOTICE OF MOTION FOR LEAVE TO
                                      AMEND ANSWERS; DECLARATION OF
            Plaintiff,
                                      JULIA DRAGOJEVIC; MEMORANDUM OF
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    vs.
                                      POINTS AND AUTHORITIES; FIRST
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                                      AMENDED ANSWERS OF DEFENDANT
    GERALD ARMSTRONG, DOES 1
                                      [Proposed]
     through 10, inclusive,
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             Defendants.
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     MARY SUE HUBBARD,
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              Intervenor.
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     TO ALL PARTIES AND TO THEIR ATTORNEYS OF RECORD:
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               PLEASE TAKE NOTICE that on
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     1984, at _____ a.m., or as soon thereafter as counsel
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     may be heard in the Court to which this matter will be
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     assigned for trial, the Motion of defendant, GERALD
     ARMSTRONG, for Leave to Amend his Answers to the Complaint
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     and Complaint in Intervention will be heard. Said Motion is
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made upon the ground that the ends of justice will be furthered by allowing the proposed amendment to the answers of defendant, GERALD ARMSTRONG.

This Motion is based upon the instant notice, the attached Declaration of Julia Dragojevic, the attached Memorandum of Points and Authorities, as well as upon such other and further material as may be introduced at the hearing on this Motion.

DATED: April 2, 1984

CONTOS & BUNCH

JULIA DRAGOJEVIC Avtorneys for Detendant, GERALD ARMSTRONG

## DECLARATION OF JULIA DRAGOJEVIC

That I am an attorney at law duly licensed to

I, JULIA DRAGOJEVIC, declare:

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practice before the Courts of the State of California, and am

an associate in the law firm of CONTOS & BUNCH, attorneys of

record for defendant, GERALD ARMSTRONG.

1.

- 2. By the Motion to File Amended Answers to the Complaint and Complaint in Intervention, defendant seeks to add only two affirmative defenses—one for unclean hands and another for spoliation. Both the Complaint and the Complaint in Intervention seek equitable relief in the form of injunction and declaratory relief. The original answer filed by defendant contained a First Affirmative Defense for unclean hands. Because said affirmative defense contained a good deal of factual information which the Court found to be extraneous, the Court granted plaintiff's Motion to Strike said defense on November 9, 1982. (A copy of the Court's Minute Order of November 9, 1982, is attached hereto as Exhibit "A".)
- 3. At the time of the preparation of the original Answer to the Complaint, the case was obviously in its beginning stages and declarant did not have specific knowledge as to what facts could be asserted as an affirmative defense for unclean hands.
- 4. On December 15, 1982, defendant filed a Motion for Leave to File an Amended Answer to the Complaint, to again attempt to assert a First Affirmative Defense for

unclean hands. The Motion was heard on January 4, 1983, and was denied because the First Amended Answer did not contain any facts supporting an affirmative defense of unclean hands. Declarant believed that because the Court had first stricken the affirmative defense based upon extraneous and irrelevant factual material, that a defense simply asserting unclean hands would be sufficient.

- 5. The Court advised declarant that the affirmative defense must allege facts connecting the allegation of unclean hands to the Complaint. At the time, declarant believed that through discovery facts would come to light which could be used, at a later time, to reassert a defense of unclean hands.
- 6. The Complaint in this action was filed August 2, 1982. Because it seeks equitable relief in the form of injunction and declaratory relief, plaintiff received a trial priority, by having the matter set for trial within one year and eight months since the filing of the Complaint. Through the discovery that has gone forward in the case, declarant has gathered facts which would now be sufficient to support an affirmative defense of unclean hands. (A copy of the proposed First Amended Answers to the Complaint and Complaint in Intervention are attached).
- 7. Thus, on March 16, 1984, defendant sought an order shortening time to allow a Motion for Leave to File Amended Answers to be heard before the first trial date of March 22, 1984. The order shortening time was not granted in

that the Commissioner who heard the matter did not find good cause for shortening time.

8. The affirmative defenses set forth in answers to both the Complaint and Complaint in Intervention are identical in that the same issues and requests for relief are contained in both Complaints.

Neither plaintiff nor intervenor will be prejudiced by the amendment of the defendant's Answers in that defendant has at all times asserted in documents filed with the Court that plaintiff and intervenor have unclean hands. In that regard, the amendment will require no additional discovery by either side.

- 9. With respect to the affirmative defense to assert spoliation, the recent case of <u>Smith vs. Superior</u>

  <u>Court</u>, 84 Daily Journal D.A.R. 469 (January 31, 1984) has recognized the civil tort of spoliation or destruction of evidence. The <u>Smith</u> Court has stated (as more fully set forth in the Points and Authorities attached hereto), that public policy dictates that a party is entitled to legal prosecution against spoliation of evidence.
- 10. Defendant has at all times asserted that he saved the documents under seal in this case from destruction, and that should the documents be returned to plaintiff and intervenor, they would either be destroyed or "lost". The preliminary injunction in effect in this case provides for discovery of the subject materials because they are relevant to other Scientology litigation, as well as to defendant Armstrong's severed Cross-Complaint in this case.

ll. Defendant was unable to assert the defense of spoliation prior to this time in that the case of  $\underline{\text{Smith } v}$ . Superior Court was only recently decided.

Executed this 2d day of April, 1984, at Woodland Hills, California.

I declare under penalty of perjury that the foregoing is true and correct.

JULIA DRAGOJEVIO

## MEMORANDUM OF POINTS AND AUTHORITIES

## I. INTRODUCTION

Plaintiff, Church of Scientology of California, and intervenor, Mary Sue Hubbard, seek injunctive relief in this action. They are asking this Court to order defendant, Gerald Armstrong, to turn over all originals and copies of documents pertaining to L. Ron Hubbard, which they claim he took from the Hubbard archives. In addition to defendant Armstrong's claim that plaintiff's and intervenor's rights to these documents are no greater than his, defendant Armstrong also submits that plaintiff and intervenor are not entitled to equitable relief because of their previous misconduct concerning these documents. In short, plaintiff's and intervenor's hands are unclean.

In order to understand the true significance of the documents which are the center of this dispute, and the misconduct which causes plaintiff and intervenor to have unclean hands, the Court must have an understanding of the representations plaintiff and intervenor have previously and extensively made about L. Ron Hubbard, the purpoted founder of the Church of Scientology. In order to make Hubbard appear to be qualified to write on the many areas he does, plaintiff and intervenor have made numerous misrepresentations to the public about Mr. Hubbard's past. These include that Hubbard was raised on a cattle ranch in Montana, that he travelled extensively through Europe and Asia, that he

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graduated from George Washington University and attended the graduate school of Princeton University, that he worked extensively in Hollywood and the movies in the 1930's, that he had a distinguished Naval record during World War II, that he was a nuclear physicist, and that he was a Hollywood movie writer and director in 1946. Numerous other representations about Hubbard's background have also been made by plaintiff and intervenor, and these representations were extensively publicized in order to convince people to take Scientology courses and purchase Scientology materials.

In the last 20 years, as the Church of Scientology has become increasingly involved in civil and criminal litigation across the country, and indeed, the Northern Hemisphere, it became increasingly important to plaintiff to keep L. Ron Hubbard's reputation from being besmirched. Since 1966, therefore, plaintiff and intervenor have constantly claimed that Hubbard no longer has anything to do with the day-to-day operations of the Church. In fact, since February 1980, plaintiff and intervenor have represented in numerous civil cases that they are not in communication with Hubbard and do not know where he can be found. Plaintiff and intervenor have made the same claims in this suit. Plaintiff and intervenor have also made numerous representations in litigation concerning plaintiff's tax status and financial structure, that Hubbard does not control plaintiff or any Church of Scientology entities, and that no income or revenue which plaintiff receives inures to Hubbard's benefit. This representation has also been made in numerous cases.

The documents which are under seal in this Court prove that these representations are false, and that plaintiff and intervenor know they are false. Essentially, they conclusively establish that L. Ron Hubbard is a fraud; that he does not have any of the qualifications plaintiff and intervenor have claimed he has; that his personal life and practices completely contradict the way he is represented in Church of Scientology writings; that many of the promises and claims made in Scientology materials are false; that L. Ron Hubbard, contrary to numerous representations of plaintiff and intervenor, has since 1966, controlled the Church of Scientology and other Scientology entities; that, contrary to representations of plaintiff and intervenor, until 1981 intervenor acted as his agent in order to control the Church of Scientology; that a conspiracy exists to hide the truth about Hubbard's ownership and control of the Church of Scientology; that there is no corporate integrity to any of the Scientology organizations; and that there is a conspiracy to attack and destroy individuals who seek to reveal the truth about Hubbard's past and his control of Scientology.

Thus, the plaintiff and the intervenor come into this Courtroom as perpetrators of a massive fraud upon the faithful followers of Scientology, the citizens of California, the citizens of the United States, the courts of California, and the federal courts of the United States.

Further, as the evidence of defendant Armstrong will demonstrate, plaintiff and intervenor are engaged in an extensive conspiracy to conceal and destroy evidence which will prove

that the representations they make about L. Ron Hubbard are fraudulent. In fact, the documents which are at the core of this case only came to light during a massive "shredding party", which was undertaken to destroy evidence of Hubbard's whereabouts and his control and involvement with the Church of Scientology.

Perhaps the culmination of the plaintiff's and intervenor's fraudulent efforts was to be the "authorized" biography of L. Ron Hubbard. Intended to be written by a non-Scientologist, Omar Garrison, intervenor and Mr. Hubbard would nonetheless have final say over the contents of the biography, and it would be used to conclusively memorialize their fraudulent version of the life of L. Ron Hubbard. Two unwitting, and ultimately unwilling, participants in this effort were Omar Garrison, who had contracted with a puppet organization of the Church of Scientology to write the biography, and defendant, Gerald Armstrong, who was Mr. Garrison's research assistant and the Hubbard archivist. Mr. Garrison and defendant Armstrong were never told that the purpose of the biography was actually to conceal the truth about L. Ron Hubbard.

Upon reviewing the documents which are now sealed in this Court, defendant Armstrong and Mr. Garrison realized that plaintiff and intervenor had intentionally misrepresented Hubbard to the public and to the courts. At first, defendant Armstrong believed this had only been through innocent mistakes on the parts of members of the Church of Scientology, and he attempted to work within the system to

let the truth about Hubbard come out. It became clear to defendant Armstrong and Mr. Garrison, however, that the misrepresentations were intentional, and when they announced their intent to publish a true biography of L. Ron Hubbard, harassment, threats and this lawsuit followed.

Mr. Garrison was fortunate as he was able to settle with the Church of Scientology. In exchange for agreeing never to publish the truth about L. Ron Hubbard, and returning the documents in his possession, the Church entered into secret settlement with Mr. Garrison.

Mr. Armstrong was not so fortunate. Shortly after he informed officials of the Church of Scientology and representatives of Hubbard about the misrepresentations that had previously been made about L. Ron Hubbard, he was ordered to undergo a security check. This process is essentially a form of interrogation where the victim is strapped to an "E-meter," a primitive lie-detector device. The questioning can be brutal, and the purpose of the "sec check" is to intimidate the person being interrogated so that his thinking will be "corrected". The consequences of failing a sec check can be dire.

Apparently, defendant Armstrong did fail the sec check. Only a few months thereafter, he was declared a "suppressive person", which according to Scientology, meant that the Fair Game Doctrine could be applied against him. The Fair Game Doctrine provides that in order to combat an enemy of the Church of Scientology, any tactic may be used including lying to, stealing from and destroying that person.

The Fair Game Doctrine, in fact, was used against defendant Armstrong. Evidence will prove that defendant Armstrong was harassed, his family was harassed, lies were spread about him, his personal property was stolen from him, and there were attempts to have his car involved in an auto accident, either to actually kill him, or scare him from continuing to try to reveal the truth about L. Ron Hubbard.

The above actions were clearly taken in order to intimidate the defendant from exposing the lies and frauds plaintiff, intervenor and L. Ron Hubbard have perpetrated over 30 years. It shows to what extent the intervenor and the plaintiff will go to conceal evidence of their fraud. This misconduct is also clearly related to the present case, for it demonstrates specifically to what unlawful ends the plaintiff and the intervenor will go to suppress the subject documents and materials under seal, and to intimidate a perceived enemy from exercising his legal rights.

Defendant believes that plaintiff and intervenor seek this injunction to further their conspiracy to conceal evidence of the frauds they have committed. Defendant is fearful that most of the incriminating documents concerning Hubbard, as well as those documents defendant and other litigants may need to further their claims against plaintiff and intervenor will be destroyed if this Court grants the injunctive relief requested. Concealing or destroying evidence of coruse, is a violation of California Penal Code, \$135. Moreover, destruction of evidence relevant to a federal proceeding, is also considered a violation of federal

criminal law under the obstruction of justice statute, 18 U.S.C. §1503. See, United States v. Walasek, 527 F.2d 676 (3rd Cir. 1975).

THIS COURT MAY ALLOW AN AMENDMENT

TO ANY PLEADING ON ANY TERMS WHICH

THE COURT, IN ÎTS DISCRETION, DEEMS

TO BE JUST.

California Code of Civil Procedure,

§ 473

code Section 473 specifically allows the Court to exercise its discretion in considering whether or not to allow a party to amend any pleading. The general policy of the law in this State is to allow great liberality in amendment of pleadings prior to trial, and even during trial itself, so as to allow the parties to properly present their causes of action or defenses thus furthering justice by insuring a trial on the true merits of the case. Atchinson, Topeka & Santa Fe Railroad Company v. Superior Oil Company, 243 Cal.App.2d 298, 52 Cal.Rptr. 53 (1966); Dunzweiler v. Superior Court, 267 Cal.App.2d 569, 73 Cal.Rptr. 331 (1968).

The extent of this liberality is demonstrated by the case of Re-Development Agency of the City of Fresno, Inc. v. Herrold, 86 Cal.App.3d 1024, 150 Cal.Rptr. (1978), wherein the Court held that if a Motion to Amend Pleadings is timely made, and if granting of that Motion will not prejudice the opposing party, it is error to refuse permission to amend,

and furthermore, where that refusal to amend also results in the party being deprived of a right to assert a meritorious defense, it is not only error but an abuse of discretion.

While the power of this Court to issue an injunction has specifically been authorized by the Legislature in the California Code of Civil Procedure, \$\$525, et. seq., nonetheless, it is Hornbook Law that the analysis undertaken by the court in granting such an injunction, as well as the inherent power of the court to grant such an injunction, is equitable in nature. For these reasons, one clear valid defense to an injunction is that defense of unclean hands.

Cal.Jur.3d, Injunctions, \$17.

The unclean hands doctrine can be stated very simply:

"When a party who at, as actor, seeks to set judicial machinery in motion and obtain some remedy, has violated conscience, good faith and other equitable principles in his prior conduct, the doors of justice will be shut against him in limine; the court will refuse to interfere on his behalf, to acknowledge his right, or to afford him any remedy."

Lynn v. Dunkel, 42 Cal.2d 845, 850, 299 P.2d 236, 239 (1956); DeGarmo v.

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Goldman, 19 Cal. 2d 755, 123 P.2d 1, 6 (1942).

The basis of this doctrine is to protect the integrity of the court, particularly in equity matters where it acts as a court of good conscience. See, De Garmo, supra; Katz v. Karlsson, 84 Cal.App.2d 469, 191 P.2d 541 (1948). Supreme Court of California has called this doctrine "fundamental", De Garmo v. Goldman, supra, and in Katz v. Karlsson, supra, the clean hands doctrine was called "the most important rule affecting the administration of justice."

The importance of this doctrine is also reflected in the Appellate Court's frequent admonitions to trial courts to take all possible efforts to see if the doctrine applies. In De Garmo v. Goldman, supra, the Supreme Court of Califormia stated "it is the duty of a court of equity, upon any suggestion that a plaintiff has not acted in good faith concerning the matters upon which he bases his suit, to inquire into the facts in that regard." Similarly, Rosenfield v. Zimmer, 116 Cal.App.2d, 719, 254 P.2d 137 held that "it is the duty of a trial court upon the discovery that the transaction is tainted with fraud or lack of good faith to inquire into the facts in regard thereto. See also, Howe v. Brock, 194 P.2d 762, 765 (1948).

In cases such as this one where the plaintiff and intervenor seek to use equitable relief to forward the frauds they have committed, the law makes it plain that equitable relief cannot be granted in assisting a party to a

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fraudulent scheme to secure the objective of his plan. Rosenfield v. Zimmer, supra. That, of course, is precisely why the plaintiff and intervenor are before this Court. have perpetrated a massive fraud to misrepresent the background of L. Ron Hubbard, his beliefs and practices, and his control of the Church of Scientology. They have not only made deliberate misrepresentations to the public in order to procure millions of dollars through their fraudulent misrepresentation about Mr. Hubbard and Scientology, but they have also sought to defraud this and other courts into believing that Mr. Hubbard has virtually no connection with the Church of Scientology. In order to forward this claim, the plaintiff and intervenor have willfully and deliberately destroyed evidence relevant to federal and state court proceedings and have sought to terrorize individuals such as the defendant who attempted to expose the frauds they had committed.

In fact, the misconduct by the intervenor and the plaintiff is so "flagrantly unconscionable" that even if the defendant did not plead the clean hands doctrine as a defense, the court would be compelled to raise it itself.

See, Katz v. Karlsson, supra, Sears Roebuck & Co. v. Blade,

294 P.2d 140 19 (1956); Vehm v. Fireside Thrift Co., 272

Cal.App.2d 15, 76 cal.Rptr. 49 (1969). Katz v. Karlsson is the most famous case where the conduct was found to be so outrageous that the court felt obligated to raise the clean hands doctrine sua sponte. There, the husband who sought an annulment of a divorce which was granted to his wife, either lied to the Court in his affidavit, or had obtained an

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interlocutory divorce by collusion and concealing evidence from the Court. In either case, the appellate division found that his conduct was so flagrantly unconscionable, that even if the clean hands defense had not been raised at the trial court level, the appeals court had no choice but to reverse the decision to annul his divorce.

In this case, of course, the plaintiff's and intervenor's misconduct is a great deal more serious than making misrepresentations to the Court, conduct the Katz court found to be flagrantly unconscionable. Not only have the plaintiff and intervenor lied to this Court and other courts, but they have deliberately concealed evidence, intentionally destroyed evidence, unlawfully attempted to intimidate witnesses, including defendant who testified against them in this case, and have engaged in a massive scheme to defraud thousands of people out of millions of dollars. Plainly, this sort of conduct to grossly violates conscience, good faith and other principles of equity, that this court could not grant equitable relief even if the defendant did not plead the clean hands doctrine.

Amendment of the defendant's answer at this time will not prejudice the other parties in this case. Defendant is not adding a new defense at the last hour, but simply reinstating a defense plaintiff and intervenor have been aware of since defendant's original answer was filed. 111

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amendment at this time, in fact, is a correction of a technical error.

The duty of this Court to investigate any suggestion that a party seeking equitable relief has engaged in bad faith or fraudulent conduct, and the heinous nature of the conduct the plaintiff and the intervenor have engaged in all strongly indicate that this Court should permit the defendant to amend his answer. Add to this the fact that defendant's amendment is really a correction of a technical deficiency and that the parties will not be prejudiced by such an amendment since they have been on notice from the beginning of this case that the defendant intended to raise a clean hands defense.

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3. THE PROPOSED AMENDMENT OF SPOLIATION IS A VIABLE DEFENSE TO PLAINTIFF'S AND INTERVENOR'S ACTIONS.

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In Smith v. Superior Court, 84 Daily Journal D.A.R. 469 (January 31, 1984), Phyllis Smith was driving her car southbound on California Avenue in West Covina. Ramsey Sneed was driving a 1979 Ford Van northbound on California Avenue, at approximately the same time and place, when the left rear wheel and tire flew off the van and crashed in the windshield of Phyllis Smith's vehicle. The impact caused pieces of glass to strike her in the eyes and face, resulting in permanent blindness in both eyes and impairment of her sense

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of smell. Abbott Ford was the dealer that customized the van with "deep dish mag wheels" before it sold the van to Sneed. Immediately after the accident, the van was towed to Abbott Ford for repairs. Abbott Ford agreed with Smith's counsel to maintain certain automotive parts (physical evidence), pending further investigation. Thereafter, Abbott Ford destroyed, lost or transferred said physical evidence, making it impossible for Smith's experts to inspect and test those parts in order to pinpoint the cause of the failure of the wheel assembly on the van. Plaintiffs' second amended complaint contained an eighth cause of action entitled "Tortious Interference with Prospective Civil Action by Spoliation of Evidence" against Abbott Ford. In response to a demurrer to said cause of action, the court sustained the demurrer, without leave to amend. Plaintiff petitioned the Court of Appeal for a writ of mandate, seeking relief from the Court's sustaining of the demurrer without leave to amend. The court, in issuing a writ of mandate, stated:

While intentional spoliation of evidence has not been recognized as a tort heretofore, we conclude that a prospective civil action in a products liability case is a valuable 'probable expectancy' that the court must protect from the kind of interference alleged herein."

\* \* \* \*

"Public policy dictates that the Smiths' interests in their prospective civil litigation are entitled to legal protection against Abbott Ford's alleged intentional spoliation of evidence, even though their damages cannot be stated with certainty."

84 Caily Journal D.A.R. at 470 (emphasis added).

In the present case, defendant, Gerald Armstrong, seeks to amend his Answers to the Complaint and Complaint in Intervention to include an affirmative defense based upon the decision in <a href="Smith v. Superior Court">Smith v. Superior Court</a>. Defendant, Armstrong, is not seeking to recover monetary damages from plaintiff or intervenor. Rather, the proposed amendment to the answer merely seeks to preclude plaintiff and intervenor from benefiting from acts or omissions to act which might lead to the loss, destruction or spoliation of the evidentiary value of the subject materials under seal, to the detriment of all parties who seek discovery of said materials. The amendment further seeks to preclude plaintiff and intervenor from obtaining a return of the subject materials by way of equity.

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4. CONCLUSION

Based upon the foregoing, it is respectfully requested that this Court grant defendant, Armstrong, leave to amend his Answers to the Complaint and Complaint in Intervention and that the proposed First Amended Answers which are attached hereto as Exhibits "B' and "C", be deemed filed and served as of the date of the hearing.

DATED: April 2 , 1984

CONTOS & BUNCH

Afterneys for Defendant, GERALD ARMSTRONG